



A Rise in Identity Theft Spurs New Type of Insurance

What Is Identity Theft?

Identity theft occurs when a person uses your personal information, such as Social Security number and date of birth, with the intent to commit fraud or to aid an unlawful activity. Once personal information is obtained, the person may open new credit card accounts in your name, open bank accounts in your name to write bad checks or take out a loan in your name. Federal law provides a \$50 liability limit for the fraudulent use of credit cards. Because of this, most identity theft victims never incur a high amount of direct monetary losses. However, restoring credit and correcting the information is a slow and time-consuming process. Identity theft insurance is one way to help consumers cope.

What can you do to prevent Identity Theft?

Taking steps to protect your identity is important. Here are some suggestions:

- Avoid carrying your Social Security number and driver's license number together in your wallet.
- Shred pre-approved credit card offers and bills before disposing of them.
- Avoid putting outgoing mail in your home mailbox – place it in a U.S. Postal service mailbox.
- Be careful using credit cards online. Some consumers have a card they use only for online purchases.
- Check your credit report on a regular basis. If you see unusual activity, you can investigate promptly by contacting the three credit bureaus: Equifax – www.equifax.com (1-800-525-6285); Experian – www.experian.com (1-888-397-3742); and TransUnion – www.transunion.com (1-800-680-7289).

Can You Insure Against Identity Theft?

If you are a victim of identity theft, it can be very costly to reestablish your credit and identity. Several companies are now offering identity theft insurance, which generally costs between \$25 and \$60 per year. Identity theft insurance cannot protect you from becoming a victim of identity theft and does not cover direct monetary losses incurred as result of identity theft. Instead, identity theft insurance provides coverage for the cost of reclaiming your financial identity, such as the costs of making phone calls, making copies, mailing documents, taking time off from work without pay (lost wages) and hiring an attorney.

Things To Consider

- Find out what the policy limits are. Most identity theft insurance policies have policy limits of \$10,000 - \$15,000.
- Find out if there is a deductible. Some policies require you to pay the first \$100 - \$500 of costs incurred for reclaiming your financial identity.
- Remember, identity theft insurance does not cover direct monetary losses.

- If the policy covers lost wages, verify what limits apply and what is required to trigger this coverage. If you are a salaried employee or are required to request vacation time in the event of a work absence associated with reclaiming your financial identity, you may not have unpaid leave and lost wages.
- If the policy covers legal fees, verify what limits apply and if legal work needs to be pre-approved by the insurer.

Before You Buy

Check to see if your current homeowner insurer includes identity theft insurance as part of your homeowner's insurance. If not, you may be able to add identity theft insurance to your homeowner's policy for a small fee or purchase a stand-alone policy from another insurer, bank or credit card company.

As with any insurance product, make sure you understand what you are purchasing and compare the product's price, coverage and deductibles among multiple insurers.

For More Information on Identity Theft

For ideas and suggestions on how to minimize the risk of identity theft, or what to do if you become a victim, please visit the Federal Trade Commission Website at: <http://www.consumer.gov/idtheft/>

The National Association of Insurance Commissioners is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The overriding objectives of state regulators are to protect consumers and help maintain the financial stability of the insurance industry.